

Thrift Savings Plan

FEB Track 1 EMC

Day 2

Presented by:

**Randy Urban, TSP Training and Liaison Specialist
Federal Retirement Thrift Investment Board**

Disclaimer

The material in this presentation has been prepared by the Training and Liaison Branch, Federal Retirement Thrift Investment Board (FRTIB). Presentations are intended for educational purposes only and do not replace independent professional judgment. The FRTIB does not endorse or promote any product, service, or third-parties. Information in this presentation is not to be construed as legal, medical, tax, investment, or financial advice. You should consult with your tax, legal, and financial advisers regarding the legal consequences of your financial planning or other activities. In no event will FRTIB or its employees be liable to you or anyone else for any decision made or action taken in reliance on the information provided or for any consequential, special or similar² damages, even if advised of the possibility of such damages.

Learning Objectives



How are you eligible for a TSP loan and what is the process to request a TSP loan?



What are the two types of TSP loans?



How can I withdraw from my account while still in service?



Understand TSP Death Benefits associated with your TSP account.



Be informed of TSP resources designed to further your personal research and answer any further questions you may have.

TSP LOANS



Loan request can be made through:

MyAccount



TSP Mobile App



ThriftLine



Loan Fees

General Purpose Loan: \$50

Primary Residence Loan: \$100

My Profile – Financial Institutions

When adding or updating a direct deposit account, it cannot be used to deposit cash for at least 7 calendar days. If a direct deposit address is less than 7 days old, either choose the postal option or wait 7 days and try again.



Add Financial Institution Options

Participant Direct Deposit	Loan Direct Deposit	Rollover Mailed to You 1	Rollover Mailed to You 2	Rollover Mailed to Institution 1	Rollover Mailed to Institution 2	Rollover Mailed to Institution 3
-------------------------------	------------------------	--------------------------------	--------------------------------	--	--	--

My Account - Loans

Current Loans

- Will show any current loan information.

Amount Available to Borrow

- The Maximum Available Amount you can borrow and the Maximum Number of Available Loans you can take will vary, depending on your savings balance and your savings plan's rules.

Model a Loan

- You can create different loan scenarios through this site and compare repayment information on a loan from the plan with loan options outside of the plan.

Request a Loan

- If you request a general purpose loan, you must complete your request by 12:00 pm Eastern Time a business day for it to be effective on that business day.
- If you request a primary residence loan, you'll receive a loan application and have up to 30 days to complete and return it.

To be eligible for a loan, you:

- Must be employed by the Federal Government or a member of the uniformed services.
- Must be in pay status because repayments are set up as payroll deductions.
- Must have at least \$1,000 of your own contributions and earnings in your TSP account (agency contributions and earnings cannot be borrowed).
- Must not have a court order against your TSP account.

TSP Loan Interest and Lost Earnings Potential

- Loan interest
 - Based on G fund rate at time application is processed
 - Fixed for life of the loan
 - Not tax deductible
- The largest cost is foregone investment earnings and reduced compounding of retirement savings.
 - Although you pay the loan amount back with interest, the amount of interest paid may be less than what you might have earned if the money had remained in your TSP account

Loan Repayment Methods

Active participants can make additional payments or fully pay off a loan by check, money order, or direct debit.

Separated Participants can request scheduled monthly payments by direct debit from their financial institution account.



Outstanding Loan Balances at Separation

- No full post-service distributions can be processed until the outstanding loan is closed by either payment in full or the loan is treated as a taxable distribution.
- TSP loans must be settled within 90 days of separation to avoid a loan foreclosure.
- If you leave federal service with an outstanding loan, you'll be able to continue making loan payments by check, money order, or direct debit.
- You will not be able to apply for a new loan after you leave federal service.

Timeline for Loans and Separation from Federal Service

Agency payroll
sends TSP
record keeper
separation
code for
participant

TSP sends
separated
participant a
notice with 90
days to pay the
outstanding
loan balance

Participant
may accelerate
the loan
foreclosure
date by signing
the intent
block on the
notice and
sending back
to TSP

Participant may
make a full
payment or
make partial
payments
during the 90
day period or
set up monthly
debit payments
for the length of
the loan.

TSP declares a
loan
foreclosure
upon
expiration of
the 90-day
period and
reports to IRS

TSP Loan Types

Types of Loans

General Purpose
No documentation required
(12 – 60 months)



Primary Residence
For future closing costs to purchase
or build a primary residence only
(61 – 180 months)

Participants can now have two general purpose loans at the same time for each account



**Primary Residence + General Purpose or
General Purpose + General Purpose**

- **General Purpose loan terms are 12 to 60 months.**
- **Primary Residence loan terms now start at 61 months up to 180 months.**
- **Get a new loan after 30 days of repaying any TSP loan.**

Primary Residence Loan Eligibility Rules

- May only be used for future purchase or construction of a primary residence.
- May be used for a down payments as long as the down payment will be paid at closing.
 - The down payment needs to be part of “the cash still required to close.”
- Your primary residence must be purchased in whole or in part by you or your spouse.
- May include any of the following:
 - House
 - Townhouse
 - Condominium
 - Shares in a cooperative housing corporation
 - Mobile home

Primary Residence Loan Documentation

- Requires documentation of the closing costs.
- The documentation must support the amount you're asking to borrow. (You can't borrow more than your documentation indicates you need to close.) Documents to include are:
 - Signed purchase contract or builder's contract
 - Loan Estimate from lender, if request includes closing costs not noted on the contract

Primary Residence Loan Rules

- A primary residence loan **cannot** be used for:
 - Refinancing or prepaying an existing mortgage
 - Construction of an addition to an existing residence
 - Renovations to an existing residence
 - Buying out another person's share in the borrower's current residence
 - The purchase of land only
 - Purchasing a house you've already closed on

TSP Loan Availability Calculation

Available Loan Amount

- Minimum amount \$1,000 (must be employee contributions and associated earnings)
- Maximum amount cannot exceed the smallest of the following:

Contributions and earnings test	IRS Vested balance test	IRS \$50,000 test
Never more than your contributions and earnings	50% of the portion of your total account balance that is made up of your own contributions and earnings on those contributions (including any outstanding loan balance) , or \$10,000 whichever amount is greater	Never more than \$50,000 minus the highest outstanding loan balance over the past 12 months

Amount You Can Borrow

- The minimum amount you can borrow is \$1,000.
- The maximum amount you can borrow is the lesser of:
 - 50% of your vested account balance that is attributable to employee contributions and attributable earnings (including any outstanding loans) minus your current outstanding loan balance.
 - If 50% of the vested account balance is less than \$10,000, you may borrow the lesser of \$10,000 or your full account value.
 - \$50,000 minus your highest outstanding loan balance(s) within the last 12 months in all of your employer's qualified plans combined.
- The amount you borrow cannot exceed the amount of your own contributions (including rollover contribution) and earnings on those contributions.
- The balance in your mutual fund window account is not included in the total amount you may borrow.
 - If you want to use money in your mutual fund window account for a loan, you'll need to transfer the appropriate amount from your mutual fund window account to the core investment options included in the savings plan.

Loan Availability Notes

- TSP account balances are recalculated at the end of each business day based on daily share prices. As a result, the maximum loan amount may change daily.
- The ThriftLine and website can provide the maximum amount available for a loan, loan interest rate, application and status of a loan application

Other TSP Loan Considerations

Spouse's Rights

- Spouses signature is required in the FERS, FSPS, and Uniformed Services retirement systems.
 - In FERS, FSPS, and Uniformed Services your spouse is entitled to - Joint Life Annuity with 50% Survivor Benefit, Level Payments, and no cash refund feature
- CSRS - Spouse is entitled to notification of the participant's withdrawal election
- If your account balance after separating from service is less than \$3,500, spouse's signature/notice is not required.

Spousal Consent Exception Notice



- For whereabouts unknown or exceptional circumstances.
- Participant will have to contact TSP ThriftLine or website My Account to make request for spousal exception notice.
- Form will then be personalized to participant (w/barcode) and sent to participant.
- One Spousal Consent Exception Notice will cover active and uniformed services accounts.
- Exception only valid for 90 days from approval.

TSP Financial Hardship Withdrawals

Financial Hardship Withdrawals

Acceptable Reasons for Hardship

- Negative cash flow
- Eligible medical expenses
- Eligible personal casualty losses
- Eligible legal expenses related to separation or divorce
- Expenses/losses from a major disaster declared by FEMA

Rules

- Minimum withdrawal of ***\$1,000***
- Only withdraw own contributions and earnings
- You cannot withdraw directly from money invested in the TSP's mutual fund window.
- You cannot make another financial hardship withdrawal from your account for a period of six months from the time your payment is processed.

Costs of a Hardship Withdrawal

- Will permanently reduce your retirement savings
- Are subject to ordinary income taxes
- May be subject to the IRS 10% early withdrawal penalty
- Are subject to spouses' rights

Tax Considerations of Hardship Withdrawals

- Your hardship withdrawal is considered a non-periodic payment for Federal income tax purposes.
- The TSP will withhold 10% of the taxable portion of your withdrawal for Federal income tax unless you increase or waive the amount of withholding.
- If you are younger than 59½, you may have to pay a 10% early withdrawal penalty tax on the taxable portion. This penalty tax is in addition to the ordinary income tax you will have to pay.
- Any tax-exempt or Roth contributions included in your withdrawal are not subject to Federal income tax; neither are any qualified Roth earnings.

Additional Requirements for Hardship Withdrawals

- If you have two separate TSP accounts - a civilian TSP account and a uniformed services account - you can only make a hardship withdrawal from the account associated with your active employment at the time of your withdrawal.
- However, if both of your accounts are associated with your active employment, you can make a hardship withdrawal from each account.

TSP Age 59.5 Withdrawals

Age 59.5 Withdrawals

- Participants age 59½ or older may take lump sum withdrawals while in service:
 - Up to four (4) Age-Based In-Service Withdrawals per calendar year
- Minimum withdrawal is \$1,000. Maximum is entire vested account balance.
- May choose the source of withdrawal (traditional, Roth, or pro-rata)
- All or any portion may be rolled over to an IRA or an eligible employer plan, if eligible.
- Participants can continue to make contributions to the TSP.

Tax Considerations of Age 59.5 Withdrawals

- Age 59.5 withdrawal payments are considered eligible rollover distributions for Federal income tax purposes and are subject to mandatory 20% Federal income tax withholding.
- You may increase your withholding, but you may not decrease or waive it.
- Your age 59.5 withdrawal is subject to Federal income tax and, in some cases, state income tax.
- Any tax-exempt or Roth contributions included in your withdrawal are not subject to Federal income tax; neither are any qualified Roth earnings.

Eligibility Rules for Age 59.5 Withdrawals

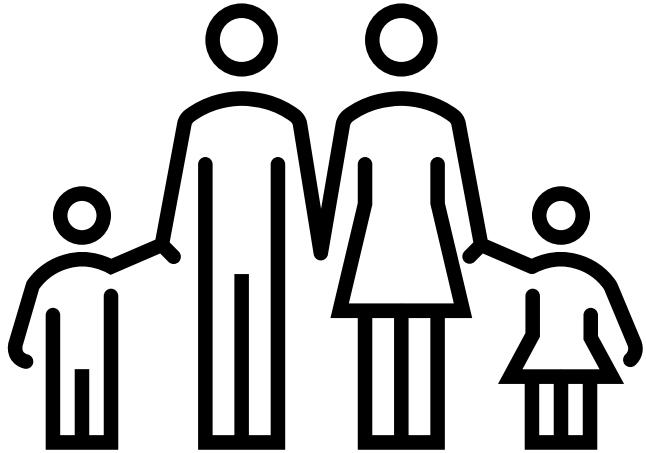
- You can only withdraw funds in which you are vested.
- If you have two separate TSP accounts:
 - a civilian TSP account and a uniformed services account,
 - you can only make age-based withdrawals from the account associated with your active employment at the time of your withdrawal.
- If both of your accounts are associated with your active employment, you can make age 59.5 withdrawals from each account.

Designating a Beneficiary

Beneficiary Designation and Order of Precedence

- Beneficiary Designation
 - Payment is based on most recent designation of beneficiary on file
 - Participant is responsible for submitting the beneficiary designation via their account online at tsp.gov
- No Beneficiary Designation on file at TSP
 - Payment is by statutory order of precedence:
 - spouse
 - natural and adopted children
 - parents
 - estate
 - next of kin

BENEFICIARY DESIGNATION



**Submit via My Account, Mobile App,
or ThriftLine with e-Signature.**

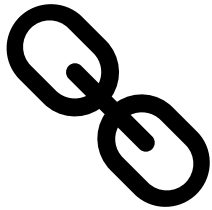
**To change beneficiaries, you must
submit a new designation online.**

**Once beneficiaries are designated,
you cannot revert to order
of precedence.**

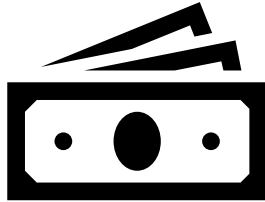
Primary Beneficiary Designations

- You may name any person, a trust, your estate, or a legal entity/corporation as a beneficiary
 - Can name up to 20 total (primary and contingent) beneficiaries to share the death benefit
 - A beneficiary may be designated without the knowledge or consent of that beneficiary or the knowledge or consent of the participant's spouse
- If the beneficiary is a minor child, benefits will be made payable directly to the child, unless qualifying Guardianship or Conservatorship documents are provided

CONTINGENT BENEFICIARIES



Will no longer be linked to specific primary beneficiaries.



To receive any money from account, all primary beneficiaries must be deceased.

BPA Accounts and Payments to Beneficiaries

Beneficiary Participant Accounts (Spouse Only)

- BPA automatically established upon verification of beneficiary participant's personal information
 - The BPA manages the account via fund reallocations and fund transfers
- When a beneficiary participant account is established, the account balance will be allocated to the TSP funds in which the deceased participant's account balance was invested on his or her date of death
 - BPA can use any of the 15 core TSP funds and may also invest in the Mutual Fund Window
- Spousal beneficiaries receiving \$200 or less in death benefit funds will receive direct payment, a BPA will not be established

BPA Account & RMD Rules

BPA manages the account via fund reallocations and fund transfers



TSP cannot accept rollovers from other equivalent employer plans or IRAs (Traditional or Roth) into BPAs

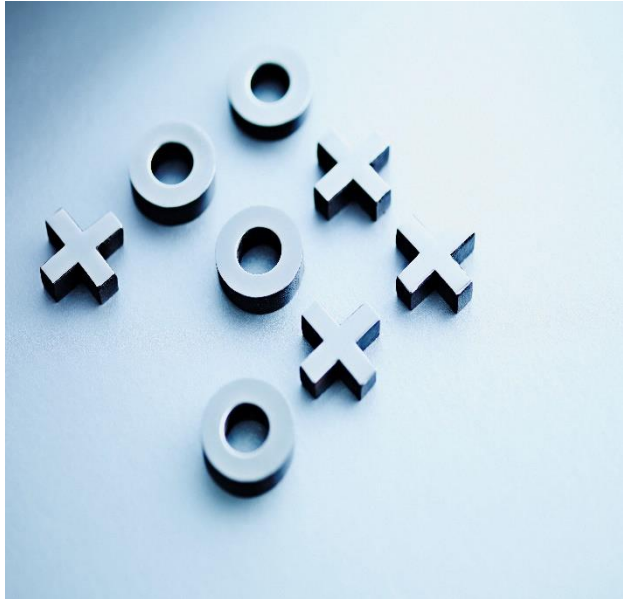


IRS Required Minimum Distributions (RMD) from BPA:

Begin date is based on age of the deceased TSP participant

Amount is based on age of the beneficiary

BPA – Distribution Options



Except for RMDs, the BPA can keep their money invested in this account without taking distributions.



The BPA can use one or more of these options:

TSP installments

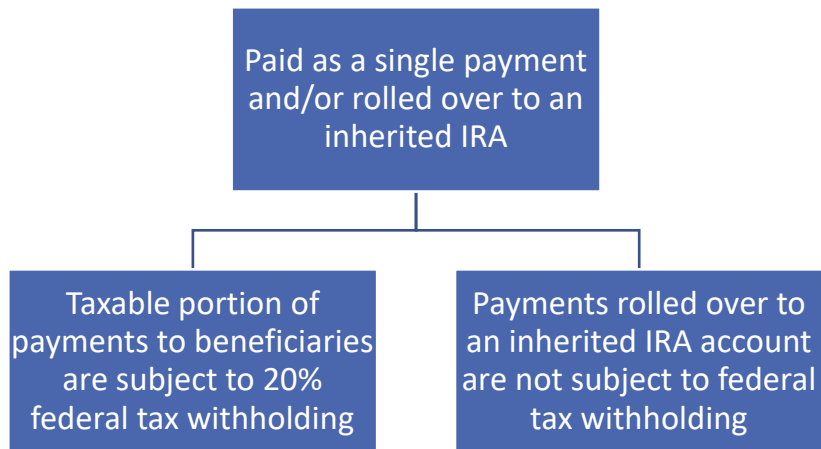
Partial/total
distributions

TSP Annuity
purchases.



<https://www.tsp.gov/publications/tspb33.pdf?TSP-BK-33>

Non-Spouse Beneficiaries



- Inherited IRAs
 - Due to changes as a result of the SECURE Act of 2019, beneficiaries may want to seek the assistance of a tax professional to discuss options related to Inherited IRAs.
- Non-spouse beneficiaries will be able to initiate payment online and select how they want to receive payment.

Non-Spouse Beneficiary

Beneficiaries can now:

- Initiate payment online.
- Select method of payment.
- Transfer to an inherited IRA account.
- Use Temporary Account - lasts 90 days.

Reporting a Participant's Death

Report a Participant's Death

- The participant's next of kin, legal representative, or other responsible person should do one of the following:
 - If the participant was an active Federal employee or member of the uniformed services, report the death to the participant's employing agency or service
 - If separated, report the participant's death to the TSP by calling 1-877-968-3778, press 3 from the main menu and hold to speak to a TSP Service Representative

Informing the TSP of a Participant Death- cont.

- The recipient of a TSP death benefit may disclaim all or a portion of the death benefit within 30 days and the next eligible beneficiary via the designation of beneficiary or statutory order of precedence will receive the disclaimed benefit amount
- The Beneficiary will receive IRS Form 1099-R reporting the distribution
- Applicable taxes will be deducted from distribution

TSP RESOURCES



Website

Plan for a
lifetime with
the TSP



Reach us at tsp.gov

ThriftLine

**Available
Monday-Friday
7 a.m. to 9 p.m. ET**



1-877-968-3778

International: +1-404-233-4400



thriftline@tsp.gov

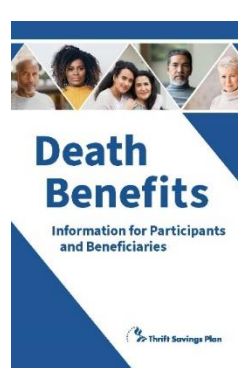
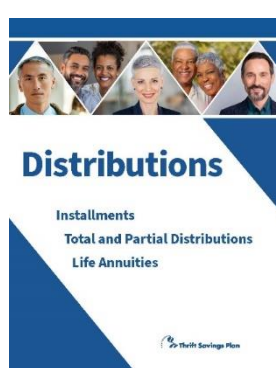
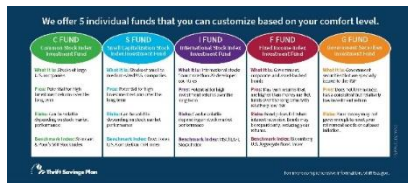
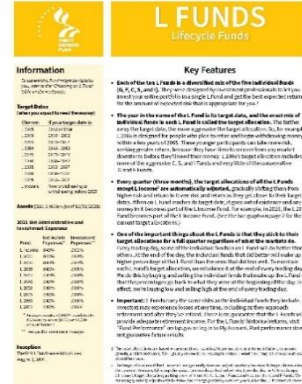
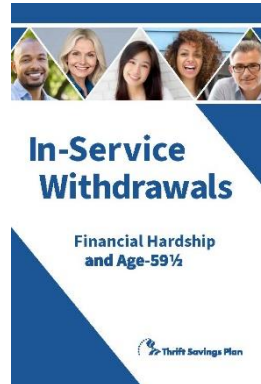
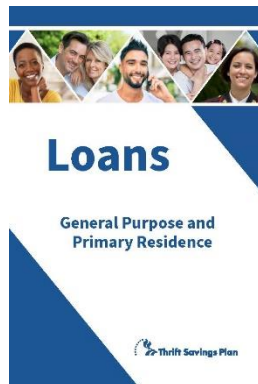
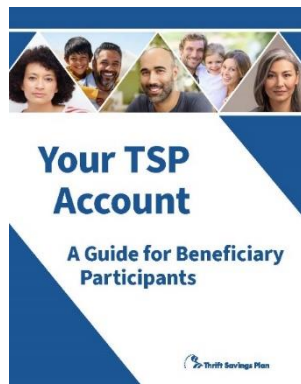


Live-agent chat



Access to AVA 24/7

TSP Publications @ www.tsp.gov/forms/



We're here to help. tsp.gov/contact



AVA virtual assistant

[Get help from AVA](#), the TSP virtual assistant, to get answers to general questions. To ask AVA account-specific questions and to connect to a ThriftLine Representative during business hours for a live chat session, log in to My Account and select the icon found on the bottom right of the page.



ThriftLine: 1-877-968-3778 (toll free)

Business Hours: Monday -Friday from 7:00 a.m. to 9:00 p.m. Eastern Time

International: (404) 233-4400 (not toll free)



General mailing address

ThriftLine Service Center
C/O Broadridge Processing
PO Box 1600
Newark, NJ 07101-1600

General fax number

1-276-926-8948



Email us

To contact ThriftLine outside of business hours, please email thriftline@tsp.gov.

Secure participant mailbox

For account-specific communication sent electronically, log in to [My Account](#) and select the notification icon on the far right, to access your Secure Mailbox.

TSP WEBINARS



Discover webinar options at
tsp.gov/online-learning

Webinars are FREE –
choose a session that fits
your schedule.

Find topics that relate to
your needs.

Conducted by TSP training
staff.

TSP Mobile App

Easy to find on Apple App Store and Google Play Store

Search: "TSP" or "FRTIB"

